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JAS. A. GRAY
VICE PRESIDENT

T. H. KIRK
VICE PRESIDENT

R. E. LASATER
VICE PRESIDENT

C. W. HARRIS
VICE PRESIDENT

BOWMAN GRAY
CHAIRMAN BOARD OF DIRECTORS

DIRECTORS

W. N. REYNOLDS
CHAIRMAN EXECUTIVE COMMITTEE

M. E. MOTSINGER
SECRETARY

J. W. GLENN
MGR. TURKISH LEAF DEPT.

R. C. HABERKERN
PURCHASING AGENT

L. F. OWEN
TRAFFIC MANAGER

R. D. SHORE
TREASURER

R. J. Reynolds Tobacco Company.

WINSTON-SALEM, N. C.

January 13, 1932.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:

The Financial Statement of your Company at December 31, 1931 is submitted herewith.

The aggregate number of our stockholders again shows a substantial increase, the total at the close of the year being approximately one-third greater than at the end of the previous year. Your officers and directors are very much gratified that so many additional investors have become interested in the Company.

Net Earnings for the year 1931 were $36,396,816.81, or $3.63 per share, compared with $34,256,664.92 for 1930, or $3.42 per share. This increase in earnings adds another year to the Company's unbroken record for steady and consistent growth from year to year for more than a decade. Cash dividends of $30,000,000.00, or $3.00 per share, were paid in 1931.

The financial condition of your Company as set forth in the accompanying statement is presented on the same conservative basis as in former years, with the nominal sum of $1.00 assigned to its well-known and valuable Brands, Trade-Marks and Good Will. There is no bank debt and no outstanding bonds or Preferred Stock. Net current assets at December 31, 1931, amounted to $128,242,251.20. In addition to this, as noted on the statement, the Company has an investment in shares of its own stock at a figure which is less than market price at December 31, 1931. This investment, somewhat larger than that at the close of the preceding year, produces a very attractive yield as compared to what could be obtained from any equivalent high-grade security in which surplus cash funds could be placed. No part of the earnings shown in the Treasurer's report for the year was derived from the sale of stock.

The year 1931 witnessed an important and outstanding development with regard to CAMEL Cigarettes. Prior to that time no cigarette manufacturer had ever been able to work out a practical solution of the industry-old problem of preserving freshness in cigarettes during the period between completion of manufacture and use by the smoker. To CAMELS, manufactured by methods designed to preserve the natural qualities of the good tobaccos of which they are made, the solution of this problem offered the maximum of benefit. This solution came early in 1931 through the discovery and development of methods for a hitherto unknown complete air-seal of moisture-proof material for the outer wrapping. This air-sealed CAMEL Humidor Pack was introduced in 1931 as capable of keeping in CAMELS until they reached the smoker practically all of that natural freshness and mildness that has always been so carefully safeguarded through our processes of manufacture. We regard this result as an accomplishment directly in line with your Company's established policy of never sparing any effort to improve its methods and the quality of its products. The impetus thereby given to the sales of CAMELS proved, and continues to prove, the smokers' appreciation of that contribution to their enjoyment.

The Company's plants, equipment and methods are, as always, maintained at a high state of efficiency, and inventories of raw materials and manufactured products are well balanced.

All of our facilities and our organization continue to stand dedicated to our long established policy of delivering only high quality fresh goods to the consumer, not only in CAMEL Cigarettes and PRINCE ALBERT Smoking Tobacco, but also in all of our many other products.

Respectfully yours,

S. Clay Williams,

President.